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Menuka Chhetri & ASSOCIATES

AUDIT REPORT ON THE FINANCIAL STATEMENTS OF STATE TRADING CORPORATION OF BHUTAN LIMITED

PERIOD: 01/01/2022 to 31/12/2022

APRIL 2023

TITLE SHEET

Title	:	Audit Report on the financial statements of State Trading Corporation of Bhutan Limited
AIN:		
Head of the Agency	:	Mr. Tshering Wangchuk, Chief Executive Officer CID No. 10808001325
Finance Personnel	:	Mr. Chencho, Chief Financial Officer CID No.11705000224
Period Audited	:	1 Jan 2022 – 31 Dec 2022
Schedule of Audit	:	Planning: 30 Jan – 25 Dec 2022 Actual: 16 Feb – 08 March 2023 Reporting:
Composition of Audit Team	:	Team Leader: Mrs. Menuka Chhetri, Managing Partner CID No. 11214002931 Team Members: 1. Ms. Phuntsho Choden, Senior Audit Associate CID No. 10102000056 2. Mr. Bijay Bhandari, Senior Audit Associate CID No. 112141004079 3. Mr. Tenzin Chophel, Audit Associates CID No. 11601003337 4. Sani Raj Limboo, Audit Associates CID No. 11304001592 5. Ms. Sangay Choden, Audit Associates CID No. 11808001101 6. Mr. Dorji Phuntsho, Audit Associates CID No. 10716002235
Supervising Officer	:	Mrs. Menuka Chhetri, Managing Partner
Engagement Letter	:	Appointment letter dated 14th November, 2022
Focal Person	:	Ms. Phuntsho Choden Email: phuntsho825@gmail.com Phone: 17814147
Date of Exit Conference	:	15/03/2023

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INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

To the Members of the State Trading Corporation of Bhutan Limited:

Opinion

We have audited the financial statements of the State Trading Corporation of Bhutan Limited, which comprise the statement of financial position as on 31 December 2022 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw the attention of the shareholders in respect of the following observation;

i. Restatement of Financial Statement

The management has restated the 2021 financial statements due to the following reasons;

Land is recognized at fair value based on periodic valuations by external independent valuers. A revaluation surplus of Nu. ***38,246,057.13****is credited to other reserves in shareholders' equity. All other property, plant and equipment are recognized at historical cost less depreciation.*

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

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ii. Increased of Cost of Goods Sold and Other Expenses

During the year, Cost of Goods Sold was increased from 89% to 91% since 49% of business was from petroleum which has high Cost of Goods Sold (above 96%) and also there is increase in the Other Expenses in compared to the year 2021 in the following;

Particulars	31 December 2022	31 December 2021
Travelling expenses including foreign travels (increased due to travel restrictions in 2020 & 2021)	8,077,404.50	2,775,887.40
Other Operating expenses (increased due to Nu. 5,567,928.29 contributed to National Resilience Fund)	10,752,322.49	3,395,900.28
Product and Shrinkage loss (increased due to business expansion and proportionate increase in volume)	18,683,953.62	13,891,820.72
Total	37,513,680.61	20,063,608.40
Increase in Expenses		**17,450,072.21**
Increase in %		87%

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Emphasis of Matter section, we have determined that there are no such matters to report.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a

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material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;

Menuka Chhetri & Associates
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and

v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as *Appendix-I* with statements on the matters specified therein to the extent applicable.

Further, as required by Section 265 of the Act, we report that:

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANTS

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a) We have obtained all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the company so far as appear from our examination of the books.

c) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of accounts.

d) In our opinion, the company has complied with other legal and regulatory requirements.

For **Menuka Chhetri & ASSOCIATES**

Chartered Accountants
Firm Registration No.:331825E
Address: 5th Floor, MKTS Building,
Opposite Clock Tower, Norzin Lam, Thimphu

Menuka Chhetri
Managing Partner
Membership No.: 534365

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

Place: Thimphu, Bhutan
Date: 25/04/2023

ROOM NO.6, 5TH FLOOR, MKTS BUILDING, OPPOSITE CLOCK TOWER, EMAIL menukachh67@gmail.com
Mobile no. 17588698/17340213/ 17814147, Fixed Line No. 02 330339

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

Our audit was carried out by applying the International Standards on Auditing (ISA) as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

The statutory audit report was prepared under the Companies Act of Bhutan 2016 and other relevant Acts and regulatory norms in examining the accounts of the company containing *inter alia*, the following:

General:

a) The Companies audited adhere to the Corporate Governance Guidelines and Regulations as applicable to them.
b) The governing board/authority pursue a prudent and sound financial management practice in managing the affairs of the company.
c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
d) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
f) The mandatory obligations social entrusted are being fulfilled.
g) The amount of tax is computed correctly and reflected in the financial statements.

1. The Company has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE.
2. As per the information provided by the company, they had conducted the Physical Verification of the Assets once during the financial year 2022.
3. The fixed assets of the Company have not been revalued during the year under audit.
4. The company had conducted physical verification of the inventories twice during the year (October& November, 2022) excluding physical verification conducted by respective division.
5. *During the physical verification of inventory conducted by the internal audit team, the shortage worth of Nu.* ***851,438.79*** *was identified between physical stock and book records. The shortage will be recovered from the relevant employee starting from April 2023.*
6. The inventories records are adequately maintained by the Company. The method of valuation of inventory for the company is adequate and commensurate with the size and nature of business.
7. Based on the information provided to us, the reconciliation is done between physical inventories and system recorded inventories wherever necessary.
8. It has been confirmed by management that after physical verification of inventories the obsolete, damaged, slow moving and surplus goods/inventories lying in the stores were dealt as per their manual at the end of the year.

Menuka Chhetri & Associates
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

9. There is amount to be recovery from the employees due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares.
12. The Basis of Valuation of Stock is adequate and no deviation from the preceding financial year has been observed.
13. According to the information and explanations given to us, the Company has not taken secured/unsecured loans from companies, firms or other parties and/or from the companies under the same management.
14. The company has not granted any loans to other parties which are ultra-vires to the Articles of Incorporation and other relevant Acts and regulations.
15. Advances granted to officers/staff are generally in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against any particular individual is avoided.
16. In our opinion and according to the information and explanations given to us in course of the audit, the Company has generally established reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules / regulations and systems and procedures.
17. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of materials and labours to Jobs.
18. In our opinion and according to the information and explanations given to us, having regard to the exception that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, there is an adequate system of competitive bidding, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets.
19. As explained to us, the Company has entered into transactions for purchases and sales of goods and services during the year in pursuance of contracts or arrangements entered into with the company in which the director(s) are directly or indirectly interested at the prices which are reasonable considering the prevailing market conditions.
20. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have neither come across any personal expenses (other than contractual and/or as per customary business practices), which have been charged to the Statement of Comprehensive Income nor have we been informed about such cases by the management.
21. According to the information and explanations given to us and also as examined by us, there was no cases, where any items of inventory, which are unserviceable or damaged.
22. The Company, in general, has an adequate system of ascertaining and identifying unserviceable or damaged inventories and loss, if any, on the sale of the same, which needs to be duly accounted /charged in these accounts.
23. The corporation is having adequate physical safeguards to prevent unauthorized or irregular movement of materials from the corporation.
24. The Company is maintaining reasonable records for sales and disposal of realizable scraps.

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

25. According to the records maintained by the company and produced to us, the Company has generally been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authorities. In our opinion, the provision for Corporate Tax is adequate and that necessary adjustments have been made to compute amount of tax required under the Rules on the Income Tax Act of the Kingdom of Bhutan - 2001.
26. According to the information and explanations provided to us and so far it appears from the examination of the books, there were Nu. **22,501,390.40** undisputed amounts payable in respect of rates and taxes as on the last day of Financial Year 2022.
    i. *Bhutan Sales Tax (under the Other Current Liability – Note No. 20) Nu.* ***22,501,390.40***
27. According to the information and explanations provided to us, the company has a reasonable system of allocating man hours utilised to the respective jobs, commensurate with the size and nature of its business.
28. In our opinion, there is a reasonable system of price fixation taking into account the market conditions and the cost of purchase of stores, spares and fuels, etc. and hiring charges are fixed with the approval of the management.
29. *No credit rating of customers is carried out.*
30. According to the information and explanation given to us, the Company does not make any sales through commission agents and hence, this paragraph is not applicable.
31. There is a proper system for continuous follow-up with debtors and other parties for recovery of outstanding amounts by way of sending reminders and personal visits. Age-wise analysis of outstanding amounts between more than 3 months and under 3 months is maintained by the Corporation.
32. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank etc. are, in generally, reasonably adequate.
33. In our opinion and to the extent our examination reveals, the business activities carried out by the Company are lawful and intra-vires to its Articles of Incorporation.
34. In our opinion and according to the information and explanation given to us, the company has a system of approval of the Board for all major capital investment decisions.
35. In our opinion and according to the information and explanations given to us, the company has established an effective budgetary control system.
36. Being a non-manufacturing concern, question of standard costing and variance analysis does not arise.
37. In our opinion and to the extent revealed by our examination, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Managing Director or to any of their relatives by the Company, directly or indirectly, are disclosed in Note 31 (a)of the Notes to the Accounts.
38. As informed, all the directives of the board have been complied with.
39. According to the information and explanations given to us, the officials of the company are refrained from transmitting any price sensitive information which is not made publicly available. Unauthorized to their relatives/friends/associates or close persons which will directly or indirectly benefit them.
40. According to the information and explanations given to us, the company maintains proper records for Inter Unit Transactions/services and arrangement for services made with other agencies engaged in similar activities

Menuka Chhetri & Associates THIMPHU BHUTAN Chartered Accountant

41. According to the information and explanations given to us, proper agreements are executed and that the terms and conditions of Lease are reasonable and the same are applied if machinery and Equipment are acquired on lease or leased out to others.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. In our opinion, organizational and system development controls and other internal controls appears to be generally adequate relative to the size and nature of computer installation.
2. According to the information and explanations given to us, disaster recovery plans are in place in the Company.
3. The Company has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Company.
4. The operational controls in the Company are generally adequate to ensure correctness and validity of input data and output information.
5. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.

GENERAL

1. Going Concern Issues:

On the basis of the attached Financial Statements as at 31 December 2022 and according to the information and explanations given to us, the financial position of the company is healthy, and we have no reason to believe that the Company is likely to become sick in the near future.

2. Ratio Analysis:

Financial and Operational Results of the Company has been given in Annexure to this report.

3. Compliances with the Companies Act of Bhutan, 2016

According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Company Officials, the Company has generally complied with the provisions of The Companies Act of Bhutan, 2016.

Our observations in this regard are given below: -

a) The Company has filed annual return as required by Section 267 of the Act.

b) The Company has held annual general meeting as required by Section 177 of the Act.

c) The Company is following the accrual basis of accounting as required under Section 235(b) of the Act.

d) Following statutory registers have been maintained by the Company depicting certain prescribed particulars as required to be disclosed under the Act.

Menuka Chhetri & Associates THIMPHU BHUTAN Chartered Accountant

i. Register of Directors
ii. Register of charges [Section 228(c)]

4. Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the financial statements, as produced to us by the management. In the course of audit, we have reviewed compliance to the Companies Act and its Articles of Association and as explained to us, the Company has been generally complying with appropriate laws, rules and regulations, systems, procedures and practices.

For **Menuka Chhetri & ASSOCIATES**

Chartered Accountants
Firm Registration No.:331825E
Address: 5th Floor, MKTS Building,
Opposite Clock Tower, Norzin Lam, Thimphu

Menuka Chhetri
Managing Partner
Membership No.:534365

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

Place: Thimphu, Bhutan
Date: 25/04/2023

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

(Amounts in Nu.)

Particulars	Note	31-Dec-22	31-Dec-21	01-Jan-21
ASSETS				
Non-current assets				
Property, plant and equipment	2	431,345,226.06	333,951,548.93	349,456,106.96
Capital working-in-progress	3	45,528,163.50	4,362,758.55	-
Right of Use	4	26,368,605.99	-	-
Non-current tax assets	5	11,444,552.33	-	18,467,615.54
Deferred tax assets	6	9,880,248.47	8,244,066.18	-
Total non-current assets		**524,566,796.35**	**346,558,373.66**	**367,923,722.51**
Current assets				
Inventories	7	448,080,039.81	289,641,218.81	502,355,629.55
Investments	8	15,728,879.46	12,804,478.42	11,960,574.48
Trade and other receivables	9	242,807,551.37	295,031,787.83	355,973,314.07
Cash and cash equivalents	10	112,357,265.21	112,322,621.10	44,391,081.02
Other current assets	11	104,361,982.42	103,546,786.29	79,374,148.97
Total current assets		**923,335,718.27**	**813,346,892.45**	**994,054,748.09**
TOTAL ASSETS		**1,447,902,514.92**	**1,159,905,266.11**	**1,361,978,470.60**
EQUITY AND LIABLITIES				
Equity				
Equity share capital	12	180,001,600.00	180,001,600.00	180,001,600.00
Retained Earnings	13 i	133,967,416.80	57,329,364.09	(33,628,582.99)
Reserves	13 ii	333,952,032.76	336,398,824.72	336,398,824.72
Total equity		**647,921,049.16**	**573,729,788.41**	**482,771,841.73**
Non-current liabilities				
Long term borrowings	14	128,785,620.42	140,665,871.87	140,689,331.85
Other payables	15	-	-	1,423,956.00
Employee benefits obligation	16	35,355,836.51	22,197,026.51	19,733,743.05
Lease liability	17	31,200,463.59	-	-
Deferred tax liabilities	18	-	-	4,289,082.48
Total non-current liabilities		**195,341,920.52**	**162,862,898.38**	**166,136,113.38**
Current Liabilities				
Short term borrowings	18	351,977,658.61	82,675,548.23	301,234,754.77
Trade and other payables	19	154,390,540.99	228,084,015.38	257,862,281.68
Other current liabilities	20	94,959,124.94	104,902,224.89	150,913,071.03
Employee benefits obligation	21	3,312,220.00	3,793,052.00	3,060,407.00
Current tax liabilities	22	-	3,857,738.13	-
Total current liabilities		**604,639,544.54**	**423,312,578.63**	**713,070,515.48**
Total liabilities		**799,981,465.07**	**586,175,477.02**	**879,206,628.86**
TOTAL EQUITY & LIABILITIES		**1,447,902,514.92**	**1,159,905,266.11**	**1,361,978,470.60**

The notes to accounts referred to above form an integral part of Statement of Financial Position.

For Menuka Chhetri & ASSOCIATES
Chartered Accountants
Firm's Registration No. 331825E

CA. Menuka Chhetri
(Managing Partner) Member Ship No. 534365
Place: Thimphu, Bhutan

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

On Behalf of Board
Chairperson

Director

CEO

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Nu.)

Particulars	Note	31-Dec-22	31-Dec-21	01-Jan-21
Income				
Revenue from operations	23	3,181,387,858.50	3,113,933,584.96	1,668,004,267.99
Other income	24	49,875,375.41	47,656,233.05	20,586,891.29
Total revenue		**3,231,263,233.92**	**3,161,589,818.01**	**1,688,591,159.28**
Expenses				
Purchases of stock-in-trade		3,072,549,792.10	2,615,146,837.72	1,446,724,090.43
Changes in inventories of stock-in-trade	25	-158,537,694.85	212,701,676.62	62,605,257.22
Employee benefit expenses	26	108,995,990.79	100,910,238.83	90,423,746.08
Finance costs	27	32,142,353.60	37,433,074.61	30,236,815.87
Depreciation expense	2,4	23,359,397.27	20,667,370.24	15,159,529.59
Other expenses	28	73,395,480.36	62,420,430.04	52,075,482.00
Total expenses		**3,151,905,319.27**	**3,049,279,628.06**	**1,697,224,921.19**
Profit before tax		**79,357,914.65**	**112,310,189.95**	**(8,633,761.92)**
Tax expense	29	22,005,405.09	32,710,634.71	296,382.36
Current tax expense		25,726,119.08	34,062,885.63	(685,937.02)
(1) Current Tax		*22,448,356.08*	*34,062,885.63*	*-685,937.02*
(2) Prior Year Tax		*3,277,763.00*	-	-
Deferred tax expense		-3,720,713.99	-1,352,250.92	982,319.38
Net profit for the year		**57,352,509.56**	**79,599,555.23**	**(8,930,144.28)**
Other comprehensive income				
Re-measurement gain/ (loss) on defined benefit plans		(9,902,102.00)	(1,682,293.00)	(1,001,389.00)
Gain on revaluation of land		75,026,625.55	-	-
Income tax relating to component for other comprehensive income		(478,728.00)	(81,536.70)	300,416.70
Other comprehensive income for the year, net of tax		**64,645,795.55**	**(1,763,829.70)**	**(700,972.30)**
Total comprehensive income for the year		**121,998,305.10**	**77,835,725.53**	**(9,631,116.58)**
Earnings Per Share	30	3.19	4.42	(0.50)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

For Menuka Chhetri & ASSOCIATES
Chartered Accountants
Firm's Registration no. 331825E

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place: Thimphu, Bhutan
Date: 25/04/2023

On Behalf of Board

Chairperson

Director

CEO

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Nu.)

Particulars	Share Capital	Reserve Fund	Retained Earnings	Other Comprehensive Income/ (loss)	Total Shareholder's Equity
As at January 1, 2020	180,001,600.00	298,152,767.59	3,002,773.59	(3,755,541.30)	481,157,141.18
(18,000,160 No. of Shares @ Nu. 10 Face Value)	-	-	-	-	-
Profit for the year	-		(8,930,144.28)	-	(8,930,144.28)
Other Comprehensive Income	-	-	(700,972.30)	(700,972.30)	(700,972.30)
Dividend for the year	-	-	(27,000,240.00)	-	(27,000,240.00)
Asset Revaluation Reserve	-	38,246,057.13			38,246,057.13
As at December 31, 2020	180,001,600.00	336,398,824.72	(33,628,582.99)	(4,456,513.60)	482,771,841.73
As January 1, 2021	180,001,600.00	336,398,824.72	(33,628,582.99)	(4,456,513.60)	482,771,841.73
Prior year adjustment	-	-	13,122,221.55		13,122,221.55
Profit for the year	-	-	79,599,555.23	-	79,599,555.23
Other Comprehensive Income	-	-	-1,763,829.70	(1,763,829.70)	(1,763,829.70)
Dividend for the year	-	-	-	-	-
As at 31 December 2021	180,001,600.00	336,398,824.72	57,329,364.09	(6,220,343.30)	573,729,788.41
As January 1, 2022	180,001,600.00	336,398,824.72	57,329,364.09	(6,220,343.30)	573,729,788.41
Prior year adjustment	-	-2,446,791.96	(359,852.40)		-2,806,644.36
Profit for the year	-	-	57,352,509.56	-	57,352,509.56
Other Comprehensive Income	-	-	64,645,795.55	64,645,795.55	64,645,795.55
Dividend for the year	-	-	-45,000,400.00	-	-45,000,400.00
As at 31 December 2022	180,001,600.00	333,952,032.76	133,967,416.80	58,425,452.25	647,921,049.16

Significant Accounting Policies & Notes to Financial Statement 1 to 40

The notes to accounts referred to above form an integral part of Statement of Change in Equity

For Menuka Chhetri & ASSOCIATES
Chartered Accountants
Firm's Registration No. 331825E

Menuka Chhetri & Associates THIMPHU BHUTAN CHARTERED ACCOUNTANT

CA. Menuka Chhetri
(Managing Partner) Member Ship No. 556365
Place: Thimphu, Bhutan

On Behalf of Board
Chairperson

Director

CEO

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Nu.)

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Cash flow from operating activities			
Profit before tax	79,357,914.65	112,310,189.95	(8,633,761.92)
Depreciation	23,359,397.27	20,667,370.24	15,159,529.59
Loss/(gain) on property, plant and equipment	8,170,576.50	(5,057,942.56)	(9,729,027.06)
Interest expense	32,142,353.60	37,433,074.61	30,236,815.87
Interest income	(11,443,863.07)	(11,764,305.51)	(555,634.59)
Deferred rent	(8,948,048.30)	224,448.00	290,448.00
Net profit from operating activities before working capital changes	**122,638,330.64**	**153,812,834.73**	**26,768,369.89**
Adjustment for:			
(Increase)/Decrease in inventory	(158,438,821.00)	212,714,410.74	62,605,257.22
(Increase)/Decrease non-current/current financial and other assets	39,379,995.14	98,668,808.03	(37,305,106.16)
Increase/(Decrease) non-current/current financial and other liabilities/provisions	(63,628,392.68)	(131,604,534.69)	56,615,503.51
Increase/(Decrease) in Short Term borrowing	574,097,925.24	218,559,206.54	116,682,492.44
	391,410,706.70	**398,337,890.62**	**198,598,147.02**
Cash generated from operating activities	**514,049,037.34**	**552,150,725.35**	**225,366,516.91**
Income tax paid	39,782,458.53	11,526,148.97	4,793,495.55
(i) Net cash from operating activities	**474,266,578.81**	**540,624,576.38**	**220,573,021.36**
Cash flow from investing activities			
Interest received	2,738,265.04	-	-
Investment in fixed deposits	-	(12,586,112.53)	(11,697,840.00)
Proceeds from maturity of fixed deposits	-	11,697,840.00	11,035,697.53
Investments in property, plant and equipment	(70,482,256.30)	(5,808,690.25)	(6,906,481.84)
Sale of asset	(14,490,227.66)	5,703,819.60	4,060,004.35
Capital Work in Progress	-	(4,362,758.55)	-
(ii) Net cash from (used in) investing activities	**(82,234,218.92)**	**(5,355,901.73)**	**(3,508,619.96)**
Cash flow from financing activities			
Repayments of short term borrowings	(336,176,364.12)	(474,551,487.69)	(238,578,062.09)
Proceeds from long term borrowings	(10,820,951.90)	7,214,352.73	35,434,284.84

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Dividend Paid	(45,000,400.00)	-	(27,000,240.00)
(iii) Net cash from (used in) financing activities	**(391,997,716.02)**	**(467,337,134.96)**	**(230,144,017.25)**
Net Increase/Decrease in Cash & Cash Equivalent (i+ii+iii)	**34,643.86**	**67,931,539.69**	**(13,079,615.85)**
Cash and cash equivalent in the beginning of the financial year	112,322,621.10	44,391,081.02	57,470,696.62
Cash and cash equivalent in the end of the financial year	**112,357,265.21**	**112,322,620.71**	**44,391,081.02**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

For Menuka Chhetri & ASSOCIATES

Chartered Accountants

Firm's Registration no. 331825E

CA. Menuka Chhetri

(Managing Partner)

Membership No. 534365

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

Place: Thimphu, Bhutan

Date: 25/04/2023

On Behalf of Board

Chairperson

Director

CEO

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Notes to Financial Statement for the year ended December 31, 2022

A: General Information:

I. Reporting Entity:

State Trading Corporation of Bhutan ("STCBL" or "the Company") - has been incorporated and registered under the Companies Act of the Kingdom of Bhutan, 2016 and has registered office located at Thimphu, Bhutan. The Company is a subsidiary of Druk Holding and Investments Limited (DHI) which holds 50.98% stake in STCBL. The Company derives its revenue primarily from trading of automobiles, petroleum, computer and IT accessories, stones, household items etc.

B: Disclosure of Significant Accounting Policies:

The note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

I. Basis of Preparation:

a) Compliance with BAS/BFRS

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), has decided to adopt BFRS in phases with minor changes. The Company in compliance with the Companies Act of Kingdom of Bhutan has adopted all the applicable Standards. The financial statements have been prepared in accordance with all applicable BAS/BFRS and other applicable laws such as Companies Act of the Kingdom of Bhutan, 2016.

b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities;
- Assets held for sale – measured at fair value less cost to sell; and
- Defined benefit plans

c) Current and non-current classification

The Company presents assets and liabilities in the Balance Sheet based on current/ non-current classification.

An asset is classified as current when it is:

a) Expected to be realised or intended to be sold or consumed in normal operating cycle;

b) Held primarily for the purpose of trading:

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Chartered Accountant

c) Expected to be realized within twelve months after reporting period.

d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

a) It is expected to be settled in normal operating cycle;

b) It is held primarily for the purpose of trading;

c) It is due to be settled within twelve months after reporting period.

d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

ii. Use of estimates

The preparation of Financial Statements in conformity with BAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

Key source of estimation of uncertainty at the date of the financial statements, which may cause material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of impairment, useful lives of property, plant and equipment etc., deferred tax assets, provisions, fair value measurements of financial instruments and retirement benefit obligations.

iii. Revenue recognition

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of discounts, rebates, returns and taxes and amounts collected on behalf of third parties.

Revenue is recognised when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

a) Sale of traded goods

The company is involved in trading of various goods such as automobiles, computer and IT accessories, stones, household items etc.

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BHUTAN
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Revenue is recognized when control of the goods has transferred to the customer.

In case of sale where the Company provides an option of deferred payment, significant financing component in the contract is identified and interest income is recognised over the concerned period.

The Company considers whether there is other obligation in the contract that are separate performance obligation and determines whether a portion of transaction price needs to be allocated to those obligations.

b) Service revenue

Revenue from service mainly comprises of revenue from maintenance services. Revenue from providing services is recognized at the point in time when the service is rendered.

c) Interest income

Other income comprises interest income on fixed deposits and sale on deferred instalment payment basis. Interest income is recognized on a time proportion basis using effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of a financial instrument.

d) Other Income

Other Incomes are recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity.

iv. Property, plant and equipment

a) PPE is initially recognized at cost.

The company follows cost model for property, plant and equipment and are stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

The Property, plant and equipment are derecognized when no future economic benefits are expected from its use or on disposal.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount. These are recognized net within "other income / other expenses" in Statement of profit and or loss.

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b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item, or as a separate asset only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs incurred for the running and maintenance of property, plant and equipment are expensed off in the year in which they are incurred.

c) Depreciation methods, estimated useful lives and residual value

Company provides depreciation on property, plant and equipment on straight-line method to allocate cost, net of their residual values, over their estimated useful lives or, in case of certain structure constructed on leased land, the shorter lease term as follows:

Asset	Estimated useful life
Buildings and civil structures: a) Temporary structure b) Permanent structure	 5-8 years 35 years
Furniture	10 years
Office Equipment	3-8 years
Vehicles	7-10 years with 20% residual value
Air conditioner	3-7 years
Loose tools	7 years
Plant & machineries (ACW)	7 years
Software	5-7 years
Central Heating System	20 years

v. Foreign currency

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates. The functional currency of STCBL is Bhutanese Ngultrum (Nu) which is also the presentation currency.

Transactions and balances

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses are generally recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

vi. Investments and other financial assets

a) Initial measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

b) Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets of the Company are classified in the following categories:

- Ø Financial assets measured at amortized cost;
- Ø Financial assets measured at fair value through other comprehensive income (FVTOCI); and
- Ø Financial assets measured at fair value through profit and loss (FVTPL)

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Financial assets measured at amortized cost:

A financial asset is measured at amortized cost if both the following conditions are met:

- Ø The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- Ø Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. Any gain or loss on de-recognition is recognized directly in profit or loss and presented in other income or expense. This category generally applies to trade and other receivables, bank deposits, security deposits, investment in bonds, cash and cash equivalents and employee loans, etc.

Financial instruments measured at fair value through other comprehensive income:

A financial instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:

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Ø the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and

Ø the asset's contractual cash flow represents SPPI.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in other comprehensive income (OCI).

Financial instruments measured at fair value through profit and loss:

Fair value through profit and loss is the residual category. Any financial instrument which does not meet the criteria for categorization as at amortized cost or fair value through other comprehensive income is classified at FVTPL. Financial instruments included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of profit and loss.

c) Impairment of financial assets

The Company recognizes an allowance for expected credit loss (ECLs) for all financial instruments except for financial assets classified at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

The ECL is recognized for 12 months and lifetime. The ECL is determined based on the significant increase in the credit risk 'SICR' and objective evidence of impairment over the life of the financial asset. For the computation of ECL, the standard prescribes a rebuttable presumption of 30 days past due as 'SICR' and 90 days past due as default. As a practical expedient, the standard allows simplified approach for ECL computation of trade receivables, contract assets and lease receivable. The policy prescribes the following:

1) 30 days past due as trigger point for SICR
2) 90 days past due as the default point
3) Simplified approach for computation of ECL for trade receivables, contract assets and lease receivables.

The impairment of financial asset is guided by the guidelines issued by the DHI.

d) De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized only when:

Ø The rights to receive cash flows from the asset have been transferred, or

Ø The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

When the Company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is

Menuka Chhetri & Associates THIMPHU BHUTAN CHARTERED ACCOUNTANT

derecognized. When the Company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognized.

When the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is

vii. Financial liability

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortised cost. All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, borrowings including bank overdrafts.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Borrowings

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classify the liability as current, even if the lender agreed, after the reporting period and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

c) De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

viii. Offsetting financial instruments

Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when, and only when, the entity has a legal right and is allowed by the standard to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency, or bankruptcy of the entity or the counterparty.

ix. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, other short - term highly liquid investments with original maturities of three months. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

x. Provision, contingent liabilities and contingent assets

Provisions are recognized if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Contingent liabilities are not recognized but disclosed for all possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

xi. Income tax

Income tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax base).

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

xii. Inventories

a. Inventories are valued at lower of cost or net realizable value.

b. Cost is calculated on the basis of specific identification for all automobiles and on weighted average method for all other items. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition.

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

xiii. Employee benefits

Employee benefits are accrued in the period in which the associated services are rendered by employees of the company as detailed below:

a) Defined contribution plan (pension and provident fund)

As required by National Pension & Provident Fund, both the employee and employer make monthly contributions to the provident fund, which is a defined contribution plan, equal to a specified percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in profit or loss when the contribution to the fund becomes due.

b) Post-employment - Defined benefit plans

Gratuity

In accordance with the STCBL service rule, the company provides for gratuity, a defined benefit retirement plan covering all employees. The gratuity provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the company. The calculation is performed annually by a qualified actuary using the projected unit credit method and amount of obligation is provided in profit or loss. The plan is unfunded.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income and presented within equity.

Transfer grant and travel allowance

As per company's service manual, the employee who have rendered minimum one year of service excluding probation period are entitled to one-month basic pay as travel allowance and the employee who have rendered minimum two years of service excluding probation period are entitled one-month basic pay as transfer grant at the time of leaving the service. One-month basic pay for this purpose is the pay at the time of leaving the service. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

Menuka Chhetri & Associates THIMPHU BHUTAN CHARTERED ACCOUNTANT

Carriage Charge

As per company's service manual, the employee who have rendered minimum one year of service excluding probation period are entitled to freight allowance based on employee grade at the time of leaving the service. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

c) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

d) Earned leave encashment

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per STCBL service manual and utilize it in future periods or compensated in cash during employment or retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

xiv. Leases

The company assesses all lease contract at inception whether it contains a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration then a right-to-use asset is recognized, and lease liability is recognized for all future lease payments.

The standard provides exemption for short-term i.e. less than 12 months and low value leases.

Right-of-use asset

The standard provides the option to present right-of-use as separate item on the balance sheet or as part of PPE or investment properly. For subsequent measurement of right-of-use, the standard provides choice to adopt cost model or revaluation model, or fair value model.

The DHI Group policy prescribes to:

1) Apply exemption on short term and low value leases as defined in the guidelines for materiality.
2) Present the right-to-use asset as a separate item on balance sheet.
3) Subsequent measurement based on cost model for leases recognized.

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Lease Liability

The lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less than any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

xv. Impairment - non-current assets

The carrying amount of the non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss statement.

xvi. Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable; asset is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. The Company must also be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

xvii. Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are added to the cost of those assets until such time when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

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xviii. Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

xix. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

xx. Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

b) Diluted earnings per share

A diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

the after-Income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

xxi. Comparative information

Prior year figures have been restated, regrouped or reclassified to comply with BAS and effect of which, if any, has been adjusted.

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NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

Note 2 : Property, Plant and Equipments

Amounts in Ngultrum (BTN)

Particulars	Freehold land	Buildings and civil structures	Furniture	Office equipment	Vehicles	Air conditioner	Loose tools	Plant & machineries	Central Heating System	Software	Total
Balance at 1 January 2020	36,600,800.56	203,072,501.89	9,131,718.58	13,748,780.09	40,114,820.17	1,216,866.72	14,507,520.32	2,470,320.94	50,044,974.80	-	370,908,455.08
Additions	39,049,140.18	1,888,688.09	338,571.56	3,090,615.29	13,449,761.51	-	291,333.00	160,300.00	-	-	58,268,409.63
Adjustments/Disposals										-	
Balance at 31 December 2020	**75,649,940.74**	**204,961,189.98**	**9,470,290.14**	**16,839,395.38**	**53,564,581.68**	**1,216,866.72**	**14,798,853.32**	**2,630,620.94**	**50,044,974.80**	-	**429,176,864.71**
Balance at 1 January 2021	75,649,940.74	204,961,189.98	9,470,290.14	16,839,395.38	53,564,581.68	1,216,866.72	14,798,853.32	2,630,620.94	50,044,974.80	-	429,176,864.71
Additions	-	852,518.79	488,400.00	2,001,434.03	2,095,476.00	370,861.43	-	-	-	-	5,808,690.25
Adjustments/Disposals	-	-	-	-	8,731,303.00	-	-	-	-	-	8,731,303.00
Balance at 31 December 2021	**75,649,940.74**	**205,813,708.77**	**9,958,690.14**	**18,840,829.41**	**46,928,754.68**	**1,587,728.15**	**14,798,853.32**	**2,630,620.94**	**50,044,974.80**	-	**426,254,251.96**
Balance at 1 January 2022	75,649,940.74	205,813,708.77	9,958,690.14	18,840,829.41	46,928,754.68	1,587,728.15	14,798,853.32	2,630,620.94	50,044,974.80	-	426,254,251.96
Additions	**75,026,625.55**	28,929,199.02	845,870.21	1,909,940.71		48,233.53	165,662.50			991,663.00	107,917,194.52
Adjustments/Disposals		-			**10,327,450.08**					-	10,327,450.08
Balance at 31 December 2022	**150,676,566.29**	**234,742,907.80**	**10,804,560.35**	**20,750,770.12**	**36,601,304.60**	**1,635,961.68**	**14,964,515.82**	**2,630,620.94**	**50,044,974.80**	**991,663.00**	**523,843,996.40**
Accumulated Depreciation											
Balance at 1 January 2020	-	23,347,415.24	3,781,454.33	7,313,696.15	20,868,880.16	907,445.15	6,926,496.00	2,376,387.85	5,004,497.48	-	**70,526,272.37**
Adjustments/Disposals	-	4,456,121.53	-	5,974.35	1,502,947.33	-	-	-	-	-	5,965,043.21
Depreciation for the year	-	5,724,521.31	759,722.84	1,441,460.03	3,513,502.56	74,734.89	1,686,913.23	54,458.73	1,904,216.00	-	15,159,529.59
Balance at 31 December 2020	-	**24,615,815.02**	**4,541,177.17**	**8,749,181.83**	**22,879,435.39**	**982,180.04**	**8,613,409.23**	**2,430,846.58**	**6,908,713.48**	-	**79,720,758.75**
Balance at 1 January 2021	-	24,615,815.02	4,541,177.17	8,749,181.83	22,879,435.39	982,180.04	8,613,409.23	2,430,846.58	6,908,713.48	-	**79,720,758.75**
Adjustments/Disposals	-	-	-	-	**8,085,425.96**	-	-	-	-	-	8,085,425.96
Depreciation for the year	-	8,693,781.16	758,533.91	1,483,872.74	8,128,965.29	54,026.81	**1,516,247.51**	31,942.82	-	-	20,667,370.24
Balance at 31 December 2021	-	**33,309,596.18**	**5,299,711.08**	**10,233,054.57**	**22,922,974.72**	**1,036,206.85**	**10,129,656.74**	**2,462,789.40**	**6,908,713.48**	-	**92,302,703.03**
Balance at 1 January 2022	-	33,309,596.18	5,299,711.08	10,233,054.57	22,922,974.72	1,036,206.85	10,129,656.74	2,462,789.40	6,908,713.48	-	**92,302,703.03**
Adjustments/Disposals	-	-	-	3,823.24	16,643,278.00	-	-	-	-	-	16,647,101.24
Depreciation for the year	-	8,445,433.69	793,537.87	1,901,602.72	3,908,364.71	91,223.01	**1,522,314.28**	31,942.82	-	148,749.45	16,843,168.55
Balance at 31 December 2022	-	**41,755,029.87**	**6,093,248.95**	**12,130,834.05**	**10,188,061.43**	**1,127,429.86**	**11,651,971.02**	**2,494,732.22**	**6,908,713.48**	**148,749.45**	**92,498,770.34**
As at 31 December 2022	**150,676,566.29**	**192,987,877.93**	**4,711,311.40**	**8,619,936.07**	**26,413,243.17**	**508,531.82**	**3,312,544.80**	**135,888.72**	**43,136,261.32**	**842,913.55**	**431,345,226.06**
As at 31 December 2021	**75,649,940.74**	**172,504,112.59**	**4,658,979.06**	**8,607,774.84**	**24,005,779.96**	**551,521.30**	**4,669,196.58**	**167,831.54**	**43,136,261.32**	-	**333,951,548.93**
As at 31 December 2020	**75,649,940.74**	**180,345,374.96**	**4,929,112.97**	**8,090,213.55**	**30,685,146.29**	**234,686.68**	**6,185,444.09**	**199,774.36**	**43,136,261.32**	-	**349,456,106.96**

Note: Estimated useful life of assets were reviewed and extended.

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Note:

Land are recognized at fair value based on periodic valuations by external independent valuers. A revaluation surplus is credited to other reserves in shareholders' equity. All other property, plant and equipment is recognized at historical cost less depreciation.

2017 PAVA value for STCBL owned Thromde Plots:

Sl.No	Dzongkhag	Thromde	Thram No.	Plot No	Company	2017 PAVA Value (Nu)
1	Thimphu	Simtokha	3326	SM1-314	STCBL	10,068,718.26
2	Thimphu	Simtokha	3327	SM1-315	STCBL	9,189,399.66
3	Thimphu	Babesa	6122	SM1-311	STCBL	3,568,785.39
4	Chhukha	Phuntsholing core	1276	PGT-842	STCBL	51,178,546.20
					Total	**74,005,449.51**

2022 PAVA value for STCBL owned Thromde Plots:

1	Thimphu	Simtokha	3326	SM1-314	STCBL	32,999,664.78
2	Thimphu	Simtokha	3327	SM1-315	STCBL	30,117,746.93
3	Thimphu	Babesa	6122	SM1-311	STCBL	11,696,495.88
4	Chhukha	Phuntsholing core	1276	PGT-842	STCBL	74,562,281.98
					Total	**149,376,189.57**

2017 PAVA value for STCBL owned Rural Plots:

Sl.No	Dzongkhag	Gewog	Thram No.	Plot No	Company	2017 PAVA Value (Nu)
1	Tsirang	Sergithang,Somtar	413	PAT-2247	STCBL	1,134,485.72
2	Tsirang	Sergithang, Somtar	413	PAT-1883	STCBL	510,004.90
					Total	**1,644,490.62**

2022 PAVA value for STCBL owned Rural Plots:

1	Tsirang	Sergithang,Somtar	413	PAT-2247	STCBL	897,091.24
2	Tsirang	Sergithang, Somtar	413	PAT-1883	STCBL	403,284.87
					Total	**1,300,376.11**

Note 3 : Capital working-in-progress

Particulars	As at 1 January 2022	Addition during the year	Adjustment/ Deduction	Total	Capitalized during the year	As at 31 December 2022
Fuel Retail Outlet	4,362,758.55	66,520,886.35	902,636.59	71,786,281.49	26,258,117.99	45,528,163.50
TOTAL	4,362,758.55	66,520,886.35	902,636.59	71,786,281.49	26,258,117.99	45,528,163.50

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Note 4: Right of Use Asset

Particulars	31-Dec-22
Balance at 1 January 2022	35,646,771.26
Additions	5,637,140.01
Adjustments/Disposals	
Balance at 31 December 2022	**41,283,911.27**
Accumulated Depreciation	
Balance at 1 January 2022	8,615,817.41
Adjustments/Disposals	-
Depreciation for the year	6,299,487.87
Balance at 31 December 2022	**14,915,305.28**
As at 31 December 2022	**26,368,605.99**

Note 5 : Non-current tax assets

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Advance tax	27,522,213.67	-	37,202,560.62
Less: Provision for tax	16,077,661.34	-	18,734,945.08
Total	**11,444,552.33**	**-**	**18,467,615.54**

Note 6 : Deferred tax assets (net)

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Deferred tax assets			
Employee benefit obligations	17,540.40	1,860,834.30	2,067,780.60
Deferred revenue	(261,159.36)	(146,014.29)	482,470.47
Deferred rent	-	359,852.40	427,186.80
	(243,619.05)	**2,074,672.32**	**2,977,437.78**
Deferred tax liabilities			
Property,plant and equipment	(11,261,123.79)	(11,261,123.79)	1,821,134.69
Recognition of revenue as per BFRS 15	(4,918,776.49)	(2,366,760.61)	1,175,841.62
Inventory	6,056,033.23	7,458,491.01	4,269,544.42
	(10,123,867.52)	**(6,169,393.86)**	**7,266,520.26**
Total	**(9,880,248.47)**	**(8,244,066.18)**	**4,289,082.48**

Note 7 : Inventories

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Trading stock	448,080,039.81	289,641,218.81	470,769,820.20
Goods-in-transit	-	-	31,585,809.35
Total	**448,080,039.81**	**289,641,218.81**	**502,355,629.55**

Note 8 : Investments

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Fixed deposits with maturity more than 3 months	15,728,879.46	12,552,756.17	11,668,128.48
Interest accrued and not due on fixed deposits	-	251,722.25	292,446.00
Total	**15,728,879.46**	**12,804,478.42**	**11,960,574.48**

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Note 9 : Trade and other receivables

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Unsecured, considered good			
	306,126,720.91	349,928,414.62	435,665,832.83
	-	-	47,107,077.00
Debtors suspense	(67,191,081.03)	(67,176,668.88)	(117,342,113.88)
Trade receivables (Unsecured, considered good)*	238,935,639.88	282,751,745.74	365,430,795.95
Interest accrued and due on sale made on deferred settlement terms*	22,245,488.80	13,846,786.56	3,506,677.28
Interest accrued but not due on sale made on deferred settlement terms*	21,346.79	87,702.09	67,901.40
Less: Provision for loss allowance	52,878,100.00	47,107,077.00	47,107,077.00
	208,324,375.46	**249,579,157.38**	**321,898,297.62**
Security deposits	10,244,693.15	8,543,077.67	13,711,195.27
Other receivable (Net of provision of Nu. 1,800,000 (2018: Nu. 1,800,000, 2017: Nu. 1,800,000)	21,693,870.88	35,580,443.72	15,478,768.24
Recoverable from employees	2,544,611.88	1,329,109.06	4,885,052.94
Total	**242,807,551.37**	**295,031,787.83**	**355,973,314.07**

Note 10 : Cash and cash equivalents

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Cash and Cash Equivalents			
Cash at bank	75,766,940.63	83,579,946.62	22,803,006.76
Cash on hand including cheques	5,951,687.24	9,111,755.75	7,653,632.48
Other bank balances*	-	-	
Margin money with banks against LC	28,643,613.71	17,838,613.71	11,114,157.15
Unclaimed dividend a/c	1,995,023.63	1,792,304.63	2,820,284.63
Total	**112,357,265.21**	**112,322,620.71**	**44,391,081.02**

Note 11 : Other current assets

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Advance recoverable in cash or in kind/for value to be received	99,336,887.62	101,124,472.34	76,482,596.32
Considered Bad or Doubtful:	-	-	1,800,000.00
Total	99,336,887.62	101,124,472.34	78,282,596.32
Less: Provision for Bad or Doubtful Advances	-	-	-
Advance to suppliers	99,336,887.62	101,124,472.34	78,282,596.32
Prepaid expenses	2,949,652.65	698,486.40	890,072.67
Advances for expenses	2,075,442.15	1,723,827.55	201,479.98
Total	**104,361,982.42**	**103,546,786.29**	**79,374,148.97**

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Note 12: Equity share capital

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Authorized			
50,000,000 equity shares of Nu.10 each	500,000,000	500,000,000	500,000,000
Issued, Subscribed and Paid up:			
18,000,160 (Previous year-18,000,160 @ 10) equity shares of Nu 10 each fully paid up.	180,001,600	180,001,600	180,001,600
Out of above, following bonus shares were allotted as fully paid up without payment being received in cash:			
(a) 200,003 equity shares were allotted by capitalization of reserve in year 2010 & 2011			
(b) 300,005 equity shares were allotted by capitalization of reserve in year 2012			
(c) 9,00,008 equity share were allotted by capitalization of reserve in the year 2013			
(50.98% of the share capital are held by Holding Company - Druk Holding and Investment Ltd.)			
Total	180,001,600	180,001,600	180,001,600

Note 13 i: Retained Earnings

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Retained Earnings	133,967,416.80	57,329,364.09	(33,628,582.99)

Note 13 ii: Reserves

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Reserves	333,952,032.76	336,398,824.72	336,398,824.72

Note 14 : Long term borrowings

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Long term borrowings from Bank of Bhutan, NPPF and T Bank	128,785,620.42	140,665,871.87	140,689,331.85
Total	128,785,620.42	140,665,871.87	140,689,331.85

Note:

(a) The Company has borrowed funds from Bank of Bhutan (BOB) amounting to Nu. 103,400,000 as on 15 September 2015 at a floating rate of MLR (Minimum Lending Rate) plus margin. The term loan is subject to moratorium period and thereafter repayable in equal monthly instalments of Nu. 1,104,914 each starting from 1 July 2018. The said loan is secured by hypothecation of property (vehicles, plant and machinery, equipment and tools, stock, book debts and other assets) to BOB by way of first charge as security.

(b) The Company has borrowed funds from Bank of Bhutan (BOB) amounting to Nu. 5,100,000 as on 12 January 2017 at a floating rate of MLR (Minimum Lending Rate) plus margin. The term loan is repayable in equal monthly instalments of Nu. 55,400 each starting from 1

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February 2017. The said loan is secured by hypothecation of property (vehicles, plant and machinery, equipment and tools, stock, book debts and other assets) to BOB by way of first charge as security.

(c) The Company has borrowed funds from National Pension and Provident Fund (NPPF) amounting to Nu. 20,000,000 as on 11 September 2019 at a fixed interest rate of 7% per annum payable quarterly. The term loan is repayable in equal quarterly instalments starting from 1 January 2021.

(d) The Company has borrowed funds from T Bank amounting to Nu. 30,000,000 as on 23 October 2020 at a floating interest rate of 5% per annum as Bridging Loan under the COVID-19 Pandemic Phase II Monetary Measures. The term loan is repayable in equal quarterly instalments starting from 1 October 2021.

Note 15 : Other payables

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Deferred rent	-	-	1,423,956.00
Total	-	-	**1,423,956.00**

Note 16 : Employee benefits obligation - non-current

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Gratuity	22,781,079.51	15,810,819.51	14,151,073.05
Leave encashment	3,688,122.00	4,061,946.00	3,765,396.00
Travel allowance	3,182,869.00	917,546.00	538,802.00
Transport charge	3,176,562.00	815,384.00	766,728.00
Transfer grant	2,527,204.00	591,331.00	511,744.00
Total	**35,355,836.51**	**22,197,026.51**	**19,733,743.05**

Note 17 : Lease liability

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Balance at 1 January 2022	30,865,772.07	-	-
Additions	5,637,140.01	-	-
Adjustments/Disposals	(5,302,448.49)	-	-
Balance at 31 December 2022	**31,200,463.59**	-	-

Note 18 : Short term borrowings

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Overdraft with Bank of Bhutan	130,252,420.45	-	150,520,842.90
Overdraft with T Bank	-	32,675,548.23	100,713,911.87
Short term loan from NPPF	21,725,238.16	50,000,000.00	50,000,000.00
Commercial paper	200,000,000.00	-	-
Total	**351,977,658.61**	**82,675,548.23**	**301,234,754.77**

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Note:

(a) The Company has availed an overdraft facility from Bank of Bhutan (BOB) as on 5 August 2015 at a floating interest rate. The said loan is secured by hypothecation of property (vehicles, plant and machinery and tools) to BOB by way of first charge as security.

(b) The Company has borrowed working capital loan from Druk PNB with a fund based limit of Nu. 81 million at a fixed interest rate of 11.5% per annum. The said loan is secured by mortgage of company's property as collateral to Druk PNB. The loan was liquidated by availing working capital loan from T Bank on 9 October 2020 with a fund based limit of Nu. 100 million at a fixed interest rate of 11% per annum.

(c) The company issued 1,000 units (FV of Nu. 100,000 per unit) of commercial paper from a bank amounting to Nu. 98,235,616 on 1 September, 2017 for 184 days at a discount rate of 3.5%. The said issue was secured against trade receivables amounting to Nu. 147.75 million and stock-in-trade worth Nu. 100 million.

(d) The Company has taken a term loan of Nu. 50 million from NPPF at a fixed interest rate of 10.50% per annum. The said loan is repayable within 1 year from the date of disbursement.

(e) The Company has taken an inter-corporate loan from its Druk Holding and Investments Ltd. (DHI) as on 18 November 2019 at a fixed interest rate of 4.55% per annum for 164 days.

Note 19 : Trade and other payables

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Trade payables	91,851,340.31	171,970,297.44	189,618,638.93
Liability for purchase	(0.99)	32,045.01	31,617,854.36
Liability for expenses	2,110,987.45	17,035,203.25	13,693,268.02
Liabilities of un-withdrawn cheque	349,880.55	357,524.55	333,481.15
Current maturities of long-term borrowings	23,558,812.30	21,446,636.02	14,208,823.31
Earnest money deposits	385,800.42	455,800.42	530,000.42
Security deposit	2,835,554.62	2,745,554.62	2,915,554.62
Retention money	1,627,572.64	-	1,021,308.31
Unclaimed dividend	1,995,023.63	1,755,399.56	2,783,379.56
Payable to employees for provident fund	668,881.42	311,943.00	311,943.00
Payable to employees	29,234,388.64	12,201,311.51	1,055,730.00
Pay and allowance	*5,263,657.78*	*5,263,657.78*	*1,055,730.00*
Employees ex-gratia	*15,230,016.83*	*6,937,653.73*	-
Variable pay	*8,740,714.03*	-	-
Deferred Revenue	(227,700.00)	(227,700.00)	(227,700.00)
Total	154,390,540.99	228,084,015.38	257,862,281.68

* Unclaimed dividend represent cheques yet to be issued to the shareholders due to the absence of adequate information of the shareholders with the company.

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Note 20 : Other current liabilities

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Advance from customers*	68,432,045.39	65,374,880.87	138,864,099.61
Deferred revenue*	4,087,001.00	3,703,184.11	1,608,234.90
Bhutan Sales Tax	22,501,390.40	32,971,488.82	10,440,736.52
Others	(61,311.85)	2,852,671.09	-
Total	94,959,124.94	104,902,224.89	150,913,071.03

Note 21 : Employee benefits obligation - current

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Gratuity	2,160,241.00	2,596,836.00	1,750,475.00
Leave encashment	380,585.00	358,679.00	366,511.00
Travel allowance	204,780.00	238,921.00	248,739.00
Transport charge	376,656.00	369,648.00	445,943.00
Transfer grant	189,958.00	228,968.00	248,739.00
Total	3,312,220.00	3,793,052.00	3,060,407.00

Note 22 : Current tax liabilities

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Provision for tax	-	31,153,602.94	-
Less: Advance tax	-	27,295,864.81	-
Total	-	3,857,738.13	-

Note 23 : Revenue from operations

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Trading:			
Sale of products*	3,154,643,913.54	3,096,070,888.81	1,654,172,580.21
Sale of services*	26,743,944.96	17,862,696.15	13,831,687.78
Total	3,181,387,858.50	3,113,933,584.96	1,668,004,267.99

Note: *These represents revenue from customers and revenue recognized at a point in time.

Note: The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied)is for expected period of upto one year or for obligation which corresponds with its right to consideration.

Note 24 : Other income

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
BST refund	30,135,444.10	29,740,736.01	-
Interest income from financial assets at amortized cost*	11,443,863.07	12,737,118.69	12,600,141.85
Recoveries of shortage for inventories	-	69,254.00	34,125.99
Gain on exchange fluctuation (net)	125,491.74	(121,745.71)	234,602.19
Gains/ (losses) on sale of property, plant and equipment	8,170,576.50	5,057,942.56	(10,025,047.56)
Commission and auction	-	172,927.50	166,540.00
Total	49,875,375.41	47,656,233.05	20,586,891.29

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Note 25 : Changes in inventories of stock-in-trade

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Opening balance			
Traded goods	289,542,341.08	470,769,820.20	520,792,699.28
Goods-in-transit	-	31,585,809.35	44,168,187.50
Total opening balance	289,542,341.08	502,355,629.55	564,960,886.78
Closing balance			
Traded goods	448,080,035.93	289,653,952.93	470,769,820.20
Goods-in-transit	-	-	31,585,809.35
Total closing balance	448,080,035.93	289,653,952.93	502,355,629.55
Total	**(158,537,694.85)**	**212,701,676.62**	**62,605,257.22**

Note 26 : Employee benefit expenses

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Pay and allowances	72,675,712.23	74,278,491.11	72,915,131.92
Provident fund contribution	7,019,126.00	6,868,279.75	6,870,442.00
Gratuity	4,396,149.00	7,393,056.50	2,935,441.00
Travel allowance	534,658.00	163,589.00	161,439.00
Transport charge	900,953.00	185,783.00	250,594.00
Transfer grant	2,389,817.79	163,852.00	159,442.00
Bonus and variable pay	15,911,465.10	6,937,653.73	3,804,108.90
Medical expenses	140,278.14	168,827.00	136,779.50
Staff training and development expenses	1,520,159.41	2,180,065.24	73,850.00
Uniform expenses	1,082,778.00	680,733.00	1,162,752.26
Welfare expenses	2,424,894.12	1,889,265.50	1,953,765.50
Others	-	643.00	-
Total	**108,995,990.79**	**100,910,238.83**	**90,423,746.08**

Note 27 : Finance costs

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Interest expense from financial instruments at amortized cost	32,142,353.60	37,433,074.61	30,236,815.87
Total	**32,142,353.60**	**37,433,074.61**	**30,236,815.87**

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Note 28 : Other expenses

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Administrative Expenses			
Communication, internet and telephone charges	1,880,334.34	2,065,901.68	2,115,087.09
Fees and taxes	3,777,862.60	1,458,091.79	2,791,530.38
Printing and stationery including postage	1,983,363.28	1,038,097.42	2,264,410.49
General insurance	1,285,154.22	2,092,318.14	1,440,959.99
Electricity expenses	1,154,343.57	1,426,877.98	1,407,243.04
Lease rent	2,755,656.61	11,427,151.33	11,101,736.37
Others (Royalty, transportation, labour charges)	1,786,507.52	1,543,519.65	280,009.00
Repairs and Maintenance			
Repairs & maintenance Of buildings and civil structures	1,883,737.43	1,649,345.40	938,957.04
Repairs & maintenance Of furniture, fixtures and equipment's	1,079,296.28	342,519.44	1,189,579.00
Running & maintenance Of vehicle	5,808,368.25	9,497,474.75	6,441,688.37
Running & maintenance Of other	600.00		1,130,198.81
Travelling and Conveyance			
Travelling expenses including foreign travels	8,077,404.50	2,775,887.40	5,960,312.24
Others			
Marketing & sales promotions	1,719,458.52	2,620,690.70	2,983,599.12
Board meeting expenses and sitting fees	668,870.00	834,031.00	1,466,584.00
Office meeting expenses	2,177,340.55	1,872,664.61	1,980,259.96
Other Operating expenses	10,789,127.56	3,395,900.28	3,016,749.01
Bank charges - others	696,066.61	914,584.09	661,817.73
Consultancy charges	1,245,891.90	2,517,183.66	1,167,174.77
Product and Shrinkage loss	18,683,953.62	13,891,820.72	-
Loss on impairment of trade receivables	5,771,023.00	-	-
CSR Project	-	854,080.00	2,261,308.80
Auditor's Remuneration			
Audit Fee	150,000.00	150,000.00	126,787.50
Out of pocket expenses	21,120.00	52,290.00	364,083.80
TOTAL	73,395,480.36	62,420,430.04	52,075,482.00

Note 29(a): Tax expense

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
(a) Income tax expenses recognized in P&L			
Current tax			
Current tax on profit for the year	22,448,356.08	34,062,885.63	(685,937.02)
Current tax adjustment for earlier years	3,277,763.00		0.00
Total current tax expenses	**25,726,119.08**	**34,062,885.63**	**(685,937.02)**
Deferred tax			
Decrease/(increase) in deferred tax assets	233,759.67	610,039.86	357,242.43
(Decrease)/increase in deferred tax liabilities	(3,954,473.66)	(2,962,290.92)	625,076.95
Total deferred tax expenses	**(3,720,713.99)**	**(2,352,251.06)**	**982,319.38**
Income tax expenses recognized in P&L	**22,005,405.09**	**31,710,634.57**	**296,382.36**

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Note 29(b): Numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the tax rate

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Tax expenses			
- Current tax	25,726,119.08	34,062,885.63	(685,937.02)
- Deferred tax	(3,720,713.99)	(2,352,251.06)	982,319.38
Total tax expense	**22,005,405.09**	**31,710,634.57**	**296,382.36**
Profit (Loss) before tax	79,357,914.65	112,310,189.95	(8,633,761.92)
Income tax expense/(income) calculated at 30%	23,807,374.39	33,693,056.98	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	557,921.00	50,648.10	-
Others	(2,359,890.30)	(2,033,070.51)	296,382.36
Reconciled with tax expense as above	**22,005,405.09**	**31,710,634.57**	**296,382.36**

Note 30: Earnings per share

Particulars	31-Dec-22	31-Dec-21	01-Jan-21
Profit attributable to equity shareholders of the Company **(A)**	57,352,510	79,599,555	(8,930,144)
Weighted average number of equity shares **(B)**	18,000,160	18,000,160	18,000,160
Basic and diluted earnings per share **(A/B)**	3.19	4.42	(0.50)

Note 31: Leases

Operating lease: Company as lessee

Certain office premises, buildings, land etc. are obtained on leases. The lease term is for 1-30 years with renewal clauses. There is no escalation clause in majority of lease agreements except in few such arrangements. There are restrictions imposed by lease arrangements which restrict sublease/ mortgage of lease property. There are no subleases or contingent rents.

Particulars	Land	Building	Total
Balance at 1 January 2022	**8,743,890.36**	**26,902,880.91**	**35,646,771.27**
Additions	5,637,140.01	-	5,637,140.01
Adjustments/Disposals	-	-	-
Balance at 31 December 2022	**14,381,030.37**	**26,902,880.91**	**41,283,911.28**
Accumulated Depreciation			
Balance at 1 January 2022	**334,460.74**	**8,281,356.67**	**8,615,817.41**
Adjustments/Disposals	-	-	-
Depreciation for the year	692,531.42	5,606,956.45	6,299,487.87
Balance at 31 December 2022	**1,026,992.16**	**13,888,313.12**	**14,915,305.28**
As at 31 December 2022	**13,354,038.21**	**13,014,567.79**	**26,368,606.26**

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Note 32: Movement in deferred tax assets/ (liabilities)

Particulars	Property, plant and equipment	Revenue recognition as per BFRS 15	Deferred revenue	Adjustments in inventory	Employee benefits	Lease rentals	Total
At 1 January 2020	(1,038,395)	(1,005,204)	1,175,630	(4,597,845)	1,770,595	340,052	(3,355,167)
Charged/(credited):							
- to profit or loss	(782,739)	(170,638)	(693,159)	328,300	248,782	87,134	(982,319)
- to other comprehensive income					48,404		48,404
At 1 January 2021	(1,821,135)	(1,175,842)	482,470	(4,269,544)	2,067,781	427,187	(4,289,082)
Charged/(credited):							
- to profit or loss	(13,082,258)	(3,542,602)	628,485	3,188,947	(85,973)	67,334	(12,826,068)
- to other comprehensive income					292,726		292,726
At 31 December 2021	(14,903,393)	(4,718,444)	1,110,955	(1,080,598)	2,274,533	494,521	8,244,260
At 1 January 2022	(14,903,393)	(4,718,444)	1,110,955	(1,080,598)	2,274,533	494,521	8,244,260
Charged/(credited):							
- to profit or loss	-	(2,552,016)	115,145	(1,402,458)	118,809	359,852	(3,360,668)
- to other comprehensive income					1,724,679		1,724,679
At 31 December 2022	(14,903,393)	(7,270,460)	1,226,100	(2,483,056)	4,118,021	854,374	9,880,248

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Note 33: Related party disclosures

The Druk Holding and Investment (DHI) Company is the holding company (i.e. Parent Company) holding 50.98% equity shares of the company.

Fellow subsidiaries

Name of the company
Bhutan Power Corporation Limited
Druk Green Power Corporation Limited
Bhutan Telecom Limited
Druk Air Corporation Limited
Natural Resource Development Corporation Limited
Bank of Bhutan Limited
Dungsam Cement Corporation Limited
Dungsum Polymers Limited
Druk Holding & Investments Ltd.
Dagachu Hydro power Corporation Limited
Bhutan Board Product Limited
Bhutan Hydropower Services Limited
Thimphu Tech Park Limited
Penden Cement Authority Limited
Tangsibji Hydro Energy Limited
Construction Development Corporation Limited
State Mining Corporation Limited
Koufuku International Limited

(a) Key Management Personnel Compensation

According to BAS -24, Key Management Personnel (KMP) is those having the authority and responsibility for planning, directing and controlling the activities of the entity.

Details of compensations paid to key management personnel (Chief Executive Officer):

Particulars	31 December 2022	31 December 2021
Short-term employee benefits	1,998,000	1,266,500
Other long term and Post-employment benefits *	162,000	-
Others	84,000	-
Total	**2,244,000**	**1,266,500**

*The amount specified is in relation to provident fund contribution. Other benefits are determined on the basis of actuarial valuation for the Company as a whole and hence segregation is not available

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(b) Transactions with related parties

(i) Transactions with directors for FY 2022 & 2021

Name of Company	31 December 2022	31 December 2021
RSA Pvt. Ltd*	-	2,776,570.80

* *Mr. Singye N Dorji is the owner and Joint MD of RSA Pvt. Ltd*

(ii) Transaction with the DHI, holding company during the financial year 2022 & 2021

Description	31 December 2022	31 December 2021
DHI	Nu.	Nu.
Sale of vehicle services, spare parts and tyres	-	224,062.00
Trading revenue	-	1,949,710.00
Sale of vehicles	-	21,675,287.00
Corporate guarantee fees	-	166,186.61
Brand management fees	-	367,625.84

(iii) Goods and Services availed from fellow subsidiaries during the financial year 2022 & 2021

Fellow subsidiaries	Particulars	31 December 2022		31 December 2021	
		Value of Goods & Services	Outstanding Amount at year end	Value of Goods & Services	Outstanding Amount at year end
Bhutan Telecom Limited	Communication, internet and telephone charges	-	-	2,065,901.68	-
Bhutan Power Corporation Limited	Electricity charges	-	-	1,426,877.98	-
Bank of Bhutan Limited	Bank charges and fees other financial services	-	-	-	-
Bank of Bhutan Limited	Interest charge on loans	-	-	11,786,063.98	-
Bhutan Telecom Limited		-	-	5,369,863.02	-
Druk Air Limited	Flight ticket and other services purchase	-	-	14,602.00	-
Natural Resources Development Corporation Limited		-	-	272,472.00	-

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Thimphu Tech Park Limited		-	-	-	-
Bhutan Board Products Limited		-	-	-	-
Penden Cement Authority Limited		-	-	-	-
Wood Craft Corporation Limited		-	-	-	-

(iv) Liabilities booked for the DHI guarantee fee:

Guarantee amount (Nu.)	31 December 2022	31 December 2021
40 million	-	166,187
Total	**-**	**166,187**

(v) Goods and services availed by fellow subsidiaries during financial year 2022 & 2021

Fellow Subsidiary	31-Dec-22		31-Dec-21	
	Value of Goods & Services	Outstanding Amount at year end	Value of Goods & Services	Outstanding Amount at year end
Bhutan Board Product Ltd.			131,500.00	
		159,558.25	629,272.75	93,062.00
	116,269.23		274,840.02	
Bank of Bhutan Ltd.	116,269.23		1,965,365.00	-
	878,516.85	-	1,570,726.80	-
			268,670.38	-
Bhutan Power Corporation Ltd.	27,781,257.00		34,664,285.81	-
	7,550,012.10	-	8,897,888.71	-
	36,326,055.18		2,782,705.20	
Bhutan Telecom Ltd.	236,098.00		9,765.00	-
	1,711,820.80	-	233,359.50	-
	447,558.17		1,151,487.14	-
Construction Development Corporation Ltd.		2,869,560.37	16,406,419.67	10,569,784.56
	9,237,174.01		6,329,983.84	

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	253,295.00		206,120.00	
			15,163,447.00	
			-	
Druk Air Corporation Ltd.	13,164.00	8,657.43	820.00	8,820.32
	3,841,813.00		-	
			52,745.00	-
Dungsam Cement Corporation Ltd.		-	2,319,516.77	-
	267,591.68		607,746.02	-
	6,396,718.02		6,810,291.00	-
Druk Green Power Corporation	15,823,396.68	-	13,354,773.28	-
	354,770.33		-	-
Dagachu Hydro Power Corporation	984,433.48	8,695.00	419,128.00	-
			-	-
	1,043,828.07		224,062.00	
Druk Holding & Investment	12,253,211.00	356,873.57	1,949,710.00	338,011.80
	5,269,941.00		21,675,287.00	
Dungsam Polymers Ltd.	218,071.16	19,654.02	183,032.61	25,196.50
Koufuku International Limited	1,296,645.00	-	203,273.00	-
	2,654,614.00		-	-
Natural Resources Development Corporation Ltd.	339,338.76	294,931.09	188,394.50	-
	104,329.00		-	-
			-	-
Penden Cement Authority Ltd.	142,017.08	13,895.06	308,018.00	-
			56,000.00	-
	86,775,347.38		12,841,298.04	
	20,791,986.29		5,448,217.35	
State Mining Corporation Ltd.		9,724,956.35	-	278,475.23
	492,045.00		2,813,266.00	
Tansibji Hydro Energy Ltd.	421,323.00	29,588.90	-	-

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	3,990.00		681,496.40	-
Thimphu Tech Park Ltd.	856,372.00	19,129.39	562,741.00	128,279.00
	474,441.52		148,921.48	
Bhutan Hydropower Service Ltd.	93,300.00		-	
Menjong Sorig Pharmaceuticals Corporation Ltd.	205,305.00	-	-	-

Note: Running & maintenance of vehicles includes Apollo tyres, JK tyres, spares, services

Terms and conditions of the transactions:

a. No amount has been written back/written off during the year in respect of dues to/ from related party.

b. All transactions were made on normal commercial terms and conditions and at market rates.

c. Outstanding balances are unsecured and are repayable in cash.

Note 34: Segment reporting

Description of Segments

State Trading Corporation of Bhutan Limited has identified the following divisions: Toyota, Tata, Eicher, Home store, Explosive and others segment. It is identified taking into account the nature of the products, deferring risks and returns, organizational structure and internal business reporting. Following are the segments of the Company-

(i) Toyota - This division deals with sales of vehicles, spare parts and servicing of Toyota vehicles.

(ii) Tata - This division deals with sales of vehicles, spare parts and servicing of Tata vehicles.

(iii) Eicher - This division deals with sales of Eicher vehicles, spare parts, two wheelers and Appolo tyres.

(iv) Home store - This division deals with household items, agriculture machineries, Bitumen, Kent filter etc.

(v) SMLI - This division deals with sales of vehicles, spare parts and servicing of SMLI vehicles.

(vi) Petroleum - This division deals with sales of MS and HSD.

(vii) Other segments includes sale of stone products and computer and accessories etc.

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a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to group as a whole and are not allocable to a segment on a reasonable basis, have been disclosed as "Unallocable"

b) Segment assets and liabilities represent assets and liabilities of the respective segments. Investments, tax related assets and other assets and liabilities that cannot be allocated for a segment on a reasonable basis, have been disclosed as "Un-allocable".

c) The company does not have any single customer from whom it receives more than 10% of the revenue.

d) Information about operating segment:

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Particulars	Toyota	Tata	Eicher	Home Store	SMLI	Petroleum	Others	Unallocable	Total
Segment Revenue									
External revenue from operations	802,286,011.45 743,431,721.84	300,950,410.07 697,060,998.25	324,277,363.00 382,693,852.60	100,468,742.44 96,109,075.25	31,504,411.57 129,815,032.50	1,596,619,587.28 1,031,257,428.30	36,725,195.71 70,442,669.12	38,431,512.34 10,779,040.11	**3,231,263,234** **3,161,589,818**
Total revenue	802,286,011 743,431,722	300,950,410 697,060,998	324,277,363 382,693,853	100,468,742 96,109,075	31,504,412 129,815,033	1,596,619,587 1,031,257,428	36,725,196 70,442,669	38,431,512 10,779,040	**3,231,263,234** **3,161,589,818**
Segment results before interest, depreciation and tax	72,883,240 75,232,604	9,514,195 48,171,533	4,670,235 12,384,774	2,629,045 10,205,886	-63,484 10,669,692	23,897,048 10,413,804	12,705,867 2,498,493	-2,820,345 -11,818,730	**123,415,801** **157,758,057**
Reconciliation to profit/ (loss) for the year:									
Finance income									11,443,863 12,652,578
Finance cost (Note a)									(32,142,354) (37,433,075)
Depreciation and amortization expenses									(23,359,397) (20,667,370)
Profit/(loss) before tax									79,357,914 112,310,190
Tax expense/ (income)									22,005,405 32,710,635
Net profit/ (loss) for the year									57,352,509 79,599,555
Other information									
Segment Assets - As at 31 December 2022	424,334,686	110,184,645	259,209,486	10,755,364	4,030,945	38,128,051	35,180,202	566,079,135	**1,447,902,515**
Segment Assets - As at 31 December 2021	339,931,751	88,268,201	207,651,029	8,616,052	3,229,164	30,544,133	28,182,631	442,008,488	**1,148,431,449**
Segment Liabilities - As at 31 December 2022	74,572,227	27,962,416	33,413,741	10,036,142	64,329	4,170,727	6,066,367	643,695,516	**799,981,465**
Segment Liabilities - As at 31 December 2021	54,641,779	20,489,078	24,483,461	7,353,846	47,136	3,056,043	4,445,048	471,659,086	**586,175,477**

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Note 35: Capital management

(a) Risk management

The Company is a subsidiary of Druk Holding & Investments Limited (DHI). The amount mentioned under total equity in balance sheet is considered as Capital.
The company's objectives when managing capital are to:

i. safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
ii. Maintain an optimal capital structure to reduce the cost of capital.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investors, creditors and market confidence and to sustain future development and growth of its business. The capital structure of the Company is based on management's judgment of the appropriate balance of key elements in order to meet strategic and day-to-day needs. The Company manages its structure and makes adjustments in light of changes in economic conditions. The funding requirements are primarily met through the equity given by the shareholders.

The amount mentioned under total equity in balance sheet is considered as Capital.

(b) Dividends paid

Particulars	31 December 2022	31 December 2021
(i) Equity shares Final dividend for the year ended 31 December 2020 - nil (1 January 2019 - Nu. 2.1 per fully paid equity share) per fully paid share	45,000,400.00	-
(ii) Dividends not recognized at the end of the reporting period The board has recommended on the non-payment of a final dividend. However, this is subject to the approval of shareholders in the ensuing annual general meeting.		

Note 36: Fair value measurements

Financial instruments by category

Particulars	31 December 2022	31 December 2021
	Amortized cost	Amortized cost
Financial assets		
Investments	15,728,879.46	12,804,478.42
Trade receivables	208,324,375.46	249,579,157.38
Deposits and other receivables	34,483,175.91	45,452,630.45
Cash & cash equivalent	112,357,265.21	112,322,621.10
Total financial assets	**370,893,696.04**	**420,158,887.35**
Financial liabilities		
Long term borrowings	128,785,620.42	140,665,871.87
Current maturities of long term borrowings	23,558,812.30	21,446,636.02
Short term borrowings	351,977,658.61	82,675,548.23
Deferred rent	-	-
Trade payables	91,851,340.31	171,970,297.44
Deposits	3,221,355.04	3,201,355.04
Other payables	35,759,033.34	31,465,726.88
Total financial liabilities	**635,153,820.02**	**451,425,435.48**

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortized cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

• the fair value of the financial instruments is determined using discounted cash flow analysis.

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(iii) Fair value of financial assets and liabilities measured at amortized cost

Particulars	31-Dec-22		31-Dec-21	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables (Refer note (a))	208,324,375.46	208,324,375.46	249,579,157.38	249,579,157.38
Land	37,403,883.00	150,676,566.29	37,403,883.00	37,403,883.00
Financial liabilities				
Long term borrowings from Bank of Bhutan (Refer note (b))	79,994,419.06	79,994,419.06	92,738,125.92	92,738,125.92
Long term borrowings from NPPF	42,185,347.70	42,185,347.70	46,114,871.49	43,261,162.92
Long term borrowings from TBank	30,164,665.96	30,164,665.96	23,259,510.49	22,528,548.72

a) Trade receivables from customers on deferred instalment payment basis are charged approximately the market rate of interest and hence the fair value approximates their carrying values.

b) Long term borrowings from Bank of Bhutan are at floating rate of interest and hence the fair value approximates their carrying values.

c) The management assessed that the fair values of remaining financial assets and liabilities at amortised cost approximate to their carrying amounts largely due to the short-term maturities of these instruments.

d) The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) above.

Note 37: Financial risk management

The Company's activities expose it to credit risk, liquidity risk and market risk (i.e. foreign currency risk, interest rate risk and price risk).

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

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Risk	Exposure arising	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, and other financial assets.	Ageing analysis	Diversification of customer base.
Liquidity risk	Trade payables and other financial liabilities	Cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – foreign exchange	Future commercial transactions	Cash flow forecasts & sensitivity analysis	Availability of committed LC facilities and diversification of liability
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Portfolio of loan contains fixed interest loans from various financial institutions

(A) Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily trade and other receivables.

i) Trade Receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. The Company regularly monitors its outstanding customer receivables. The Company has a detailed review mechanism of overdue customer receivables at various levels within organization to ensure proper attention and focus for realization.

The Company has two categories of trade receivables –

a) Customer to whom the vehicles are sold on deferred settlement terms.

b) Other than (a) above - All the sales are made on normal credit period of 30 days to 60 days.

The requirement for loss allowance is analyzed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 35: Fair value measurement. The Company does not hold collateral as security.

(ii) Reconciliation of loss allowance provision – Trade receivables

Loss allowance on January 1, 2022	**47,107,077**
Changes in loss allowance	5,771,023
Loss allowance on December 31, 2022	**52,878,100**

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iii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's finance department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Companies' Board of Directors on an annual basis. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments. For banks and financial institutions, only high rated banks/institutions are accepted.

Financial assets are considered to be of good quality and there is no significant credit risk.

Note 37: Financial risk management continued

(B) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the Company.

Contractual maturities of financial liabilities:

Particulars	Less than 1 year	More than 1 year	Total
31 December 2022			
Long term borrowings	23,926,299	112,859,691	
Future interest payment	9,251,955	25,756,654.89	
Long term borrowings and interest*	33,178,254	138,616,346	171,794,600
Short term borrowings	351,977,659	-	351,977,659
Deferred rent	-	-	-
Trade payables	91,851,340	-	91,851,340
Deposits	3,221,355	-	3,221,355
Other payables	35,759,033	-	35,759,033
Total non-derivative liabilities	**515,987,641**	**138,616,346**	**654,603,987**
31 December 2021			
Long term borrowings	21,446,636	137,183,020	
Future interest payment	10,362,838	35,008,609.43	
Long term borrowings and interest*	31,809,474	172,191,629	204,001,104
Short term borrowings	82,675,548	-	82,675,548
Deferred rent	-	-	-
Trade payables	171,970,297	-	171,970,297
Deposits	3,201,355	-	3,201,355
Other payables	31,465,727	-	31,465,727
Total non-derivative liabilities	**321,122,402**	**172,191,629**	**493,314,031**

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31 December 2020			
Long term borrowings	*14,208,823*	*138,232,627*	
Future interest payment	*9,594,519*	*39,065,111*	
Long term borrowings and interest*	23,803,342	177,297,737	201,101,080
Short term borrowings	392,893,509	-	392,893,509
Deferred rent	-	1,423,956	1,423,956
Trade payables	189,618,639	-	189,618,639
Deposits	3,445,555	-	3,445,555
Other payables	50,589,264	-	50,589,264
Total non-derivative liabilities	**660,350,309**	**178,721,693**	**839,072,003**

Note 37: Financial risk management continued

(B) Market risk

(i) Foreign currency risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
The company is exposed to foreign currency risk as it maintains a foreign currency bank account and has a foreign exchange receivable.

The Company's exposure to foreign currency risk at the end of the reporting period expressed in Nu. are as follows:

Particulars	31 December 2022	31 December 2021
	USD	USD
Financial assets	4,219	5,549

Particulars	31 December 2022	31 December 2021
	BDT	BDT
Financial assets	137,144	204,211

The receivable/ payable from/to India is in foreign currency (Indian Rupee) which does not have foreign exchange fluctuation risk since Bhutanese Ngultrum (BTN) is pegged with Indian Rupee (INR).

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

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Particulars	Change in currency exchange rate	Impact on profit before tax	
		31 December 2022	31 December 2021
USD sensitivity			
Appreciation in Nu.*	5%	17,461	277
Depreciation in Nu.*	-5%	(17,461)	(277)
BDT sensitivity			
Appreciation in Nu.*	5%	5,499	10,211
Depreciation in Nu.*	-5%	(5,499)	(10,211)

* *Holding all other variables constant*

As value of Nu. is constantly equal to the INR, company is not exposed to any foreign currency risk relating to amount receivables/ payable in INR.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk.

(a) Interest rate risk exposure

The exposure of the Company's financial liabilities to interest rate risk is as follows:

Particulars	31 December 2022	31 December 2021
Variable rate borrowings	79,994,419	92,738,126

(b) Sensitivity

Profit before tax is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates as below:

Particulars	Impact on profit before tax	
	31 December 2022	31 December 2021
Interest rate - increase by 0.5%	(399,972)	(463,691)
Interest rate - decrease by 0.5%	399,972	463,691

* *Holding all other variables constant*

(ii) Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

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The Company does not have any financial asset investments which are exposed to price risk.

Note 38: Disclosure for employees benefit - defined benefit scheme (Gratuity)

A. Change in defined benefit obligation (DBO)	31 December 2022	31 December 2021
DBO at end of prior period	18,414,656	15,901,548.00
Current service cost	3,003,603	1,981,283
Interest cost on the DBO	1,392,546	1,231,592
Past service cost - plan amendments	(2,015,655)	(1,412,235)
Actuarial (gain)/loss - experience	4,153,171	705,252
Actuarial (gain)/loss - demographic assumptions		7,216
Actuarial (gain)/loss - financial assumptions	1,064,553	
DBO at end of current period	**26,012,874**	**18,414,656**

B. Statement of Profit & Loss	31 December 2022	31 December 2021
Current service cost	3,003,603	1,981,283
Net interest on net defined benefit liability / (asset)	1,392,546	1,231,592
Cost recognized in P&L	**4,396,149**	**3,212,875**

C. Other Comprehensive Income (OCI)	31 December 2022	31 December 2021
Actuarial (gain)/loss due to liability experience	4,153,171	705,252
Actuarial (gain)/loss due to liability assumption changes	1,064,553	7,216
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**5,217,724**	**712,468**

D. Reconciliation of Net Balance Sheet Position	31 December 2022	31 December 2021
Net defined benefit asset/ (liability) at end of prior period	18,414,656	15,901,548
Current service cost	3,003,603	1,981,283
Net interest on net defined benefit liability/ (asset)	1,392,546	1,231,592
Amount recognized in OCI	5,217,724	712,468
Benefit paid directly by the company	(2,015,655)	(1,412,235)
Net defined benefit asset/ (liability) at end of current period	**26,012,874**	**18,414,656**

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E. Expected benefit payments (undiscounted) for the year ending	31 December 2022	31 December 2021
Up to 1 year	2,160,241	2,817,567
Between more than 1 to 3 years	10,488,151	6,465,781
Between more than 3 to 5 years	14,909,564	7,540,744
Between more than 5 to 10 years	23,090,797	18,578,792
Over 10 years		69,411,055

(i) Expected employer contributions for the period ending 31 December 2021

(ii) Weighted average duration of defined benefit obligation 15.03 years (31 Dec 2019: 15.09 years)

(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2022	31 December 2021
Discount rate	8%	8.50%
Effect on DBO due to 0.5% increase	(1,064,553)	-840,881
Effect on DBO due to 0.5% decrease	1,149,415	912,763

B. Salary escalation rate	31 December 2022	31 December 2021
Salary escalation rate	6%	6%
Effect on DBO due to 0.5% increase	2,416,634	980,466
Effect on DBO due to 0.5% decrease	(2,106,326)	(909,497)

C. Mortality rate	31 December 2022	31 December 2021
Mortality rate	100% of IALM (2012-14)	100% of IALM (2012-14)
Effect on DBO due to 10% upward shift in mortality curve		-13,294
Effect on DBO due to 10% downward shift in mortality curve		13,387

D. Employee turnover rate	31 December 2022	31 December 2021
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	323,349	-183,886
Effect on DBO due to 1% decrease	(360,589)	195,667

Risk exposure

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

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Interest rate risk:

The plan is exposed to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefits and will thus result in an increase in the value of the liability.

Salary growth risk:

The present value of the defined benefit plan is calculated with the assumption of salary increase of the plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

Liquidity risk:

This is the risk that the plan is not able to meet the short-term gratuity payouts. This may arise due to non-availability of enough cash/ cash equivalents to meet the liabilities or holding of illiquid assets.

Demographic risk:

The company has used certain mortality and attrition assumptions in the valuation of liability. Thus, the plan is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Asset liability mismatching or market risk:

The duration of the liability is longer than the duration of assets exposing the company to market risk for volatilities/fall in interest rate.

Investment risk:

The plan is exposed to the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Note 38: Disclosure for employees benefit - defined benefit scheme (Travel allowance)

A. Change in defined benefit obligation (DBO)	31 December 2022	31 December 2021
DBO at end of prior period	820,298	760,483.00
Current service cost	481,858	112,085.00
Interest cost on the DBO	52,800	51,504.00
Actuarial (gain)/loss - experience	1,556,912	205,660.00
Actuarial (gain)/loss - demographic assumptions	-	-323.00
Actuarial (gain)/loss - financial assumptions	139,612	
Benefits paid	(320,595)	(309,110)
DBO at end of current period	**2,730,885**	**820,299**

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B. Statement of Profit & Loss	31 December 2022	31 December 2021
Current service cost	481,858	112,085
Net interest on net defined benefit liability / (asset)	52,800	51,504
Cost recognized in P&L	**534,658**	**163,589**

C. Other Comprehensive Income (OCI)	31 December 2022	31 December 2021
Actuarial (gain)/loss due to liability experience	1,556,912	205,660
Actuarial (gain)/loss due to liability assumption changes	139,612	(323)
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**1,696,524**	**205,337**

D. Reconciliation of Net Balance Sheet Position	31 December 2022	31 December 2021
Net defined benefit asset/ (liability) at end of prior period	820,298	760,483
Amount recognized in OCI	1,696,524	205,337
Amount recognized in profit & loss	534,658	163,589
Benefit paid directly by the company	-320,595	-309,110
Net defined benefit asset/ (liability) at end of current period	**2,730,885**	**820,299**

E. Expected benefit payments (undiscounted) for the year ending	31 December 2022	31 December 2021
Up to 1 year	204,780	259,229
Between more than 1 to 3 years	678,410	525,281
Between more than 3 to 5 years	1,115,522	506,724
Between more than 5 to 10 years	2,126,179	1,233,903
Over 10 years		2,971,623

(i) Expected employer contributions for the period ending 31 December 2022

(ii) Weighted average duration of defined benefit obligation 10.84 years (31 Dec 2019: 11.57 years)

(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2022	31 December 2021
Discount rate	8%	8.50%
Effect on DBO due to 0.5% increase	(139,612)	(32,073)
Effect on DBO due to 0.5% decrease	152,190	34,599

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B. Salary escalation rate	31 December 2022	31 December 2021
Salary escalation rate	6%	6%
Effect on DBO due to 0.5% increase	321,629	37,518
Effect on DBO due to 0.5% decrease	(274,921)	(35,037)

C. Mortality rate	31 December 2022	31 December 2021
Mortality rate	100% of IALM (2012-14)	100% of IALM (2012-14)
Effect on DBO due to 10% upward shift in mortality curve		-
Effect on DBO due to 10% downward shift in mortality curve		-

D. Employee turnover rate	31 December 2022	31 December 2021
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	58,206	7,690
Effect on DBO due to 1% decrease	(65,353)	(8,098)

Risk exposure

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

Interest rate risk:

The plan is exposed to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefits and will thus result in an increase in the value of the liability.

Salary growth risk:

The present value of the defined benefit plan is calculated with the assumption of salary increase of the plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

Liquidity risk:

This is the risk that the plan is not able to meet the short-term payouts. This may arise due to non-availability of enough cash/ cash equivalents to meet the liabilities or holding of illiquid assets.

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Demographic risk:

The company has used certain mortality and attrition assumptions in the valuation of liability. Thus, the plan is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Asset liability mismatching or market risk:

The duration of the liability is longer than the duration of assets exposing the company to market risk for volatilities/fall in interest rate.

Investment risk:

The plan is exposed to the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Note 38: Disclosure for employees benefit - defined benefit scheme (Transport Charge)

A. Change in defined benefit obligation (DBO)	31 December 2022	31 December 2021
DBO at end of prior period	1,185,032	1,212,671
Current service cost	841,207	151,001
Interest cost on the DBO	59,746	34,782
Actuarial (gain)/loss - experience	2,199,184	590,689
Actuarial (gain)/loss - demographic assumptions	-	(643)
Actuarial (gain)/loss - financial assumptions	144,454	
Benefits paid	(876,405)	(803,468)
DBO at end of current period	**3,553,218**	**1,185,032**

B. Statement of Profit & Loss	31 December 2022	31 December 2021
Current service cost	841,207	151,001
Net interest on net defined benefit liability / (asset)	59,746	34,782
Cost recognized in P&L	**900,953**	**185,783**

C. Other Comprehensive Income (OCI)	31 December 2022	31 December 2021
Actuarial (gain)/loss due to liability experience	2,199,184	590,689
Actuarial (gain)/loss due to liability assumption changes	144,454	(643)
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**2,343,638**	**590,046**

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D. Reconciliation of Net Balance Sheet Position	31 December 2022	31 December 2021
Net defined benefit asset/ (liability) at end of prior period	1,185,032	1,212,671
Amount recognized in OCI	2,343,638	590,689
Amount recognized in profit & loss	900,953	
Benefit paid directly by the company	(876,405)	(803,468)
Cost of termination benefits		
Net defined benefit asset/ (liability) at end of current period	**3,553,218**	**1,185,675**

E. Expected benefit payments (undiscounted) for the year ending	31 December 2022	31 December 2021
Up to 1 year	376,656	401,068.00
Between more than 1 to 3 years	1,584,218	745,892.00
Between more than 3 to 5 years	2,077,081	761,630.00
Between more than 5 to 10 years	3,146,006	1,724,299.00
Over 10 years		4,025,919.00

(i) Expected employer contributions for the period ending 31 December 2021

(ii) Weighted average duration of defined benefit obligation 10.22 years (31 Dec 2019:10.21 years)

(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2022	31 December 2021
Discount rate	8%	8.50%
Effect on DBO due to 0.5% increase	(144,454)	(43,118)
Effect on DBO due to 0.5% decrease	156,477	46,334

B. Carrier charges	31 December 2022	31 December 2021
Carrier charges	5%	5.00%
Effect on DBO due to 0.5% increase	332,976	51,009
Effect on DBO due to 0.5% decrease	(287,908)	-47,801

C. Mortality rate	31 December 2022	31 December 2021
Mortality rate	100% of IALM (2012-14)	100% of IALM (2012-14)
Effect on DBO due to 10% upward shift in mortality curve		430
Effect on DBO due to 10% downward shift in mortality curve		-430

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D. Employee turnover rate	31 December 2022	31 December 2021
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	81,818	14,621
Effect on DBO due to 1% decrease	(92,525)	-15,383

Risk exposure

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

Interest rate risk:

The plan is exposed to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefits and will thus result in an increase in the value of the liability.

Salary growth risk:

The present value of the defined benefit plan is calculated with the assumption of salary increase of the plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

Liquidity risk:

This is the risk that the plan is not able to meet the short-term payouts. This may arise due to non-availability of enough cash/ cash equivalents to meet the liabilities or holding of illiquid assets.

Demographic risk:

The company has used certain mortality and attrition assumptions in the valuation of liability. Thus, the plan is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Asset liability mismatching or market risk:

The duration of the liability is longer than the duration of assets exposing the company to market risk for volatilities/fall in interest rate.

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Investment risk:

The plan is exposed to the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Note 37: Disclosure for employees benefit - defined benefit scheme (leave)

A. Change in defined benefit obligation (DBO)	31 December 2022	31 December 2021
DBO at end of prior period	4,420,625	4,131,907
Current service cost	689,696	288,718
Interest cost on the DBO	204,965	49,563
Actuarial (gain)/loss - experience	2,294,056	3,501,387
Actuarial (gain)/loss - demographic assumptions	176,478	(2,132)
Benefits paid	(3,717,114)	(3,548,818)
DBO at end of current period	4,068,706	4,420,625

B. Statement of Profit & Loss	31 December 2022	31 December 2021
Current service cost	689,696	288,718
Net interest on net defined benefit liability / (asset)	204,965	49,563
Re-measurement (gains)/ losses	2,470,535	3,499,255
Cost recognized in P&L	**3,365,196**	**3,837,536**

C. Reconciliation of Net Balance Sheet Position	31 December 2022	31 December 2021
Net defined benefit asset/ (liability) at end of prior period	4,420,625	4,131,907
Current service cost	689,696	288,718
Net interest on net defined benefit liability/ (asset)	204,965	49,563
Amount recognized in profit & loss	2,470,535	3,499,255
Benefit paid directly by the company	(3,717,114)	(3,548,818)
Net defined benefit asset/ (liability) at end of current period	**4,068,707**	**4,420,625**

D. Expected benefit payments (undiscounted) for the year ending	31 December 2022	31 December 2021
Up to 1 year	380,585	389,167.00
Between more than 1 to 3 years	1,576,840	814,440.00
Between more than 3 to 5 years	2,176,910	759,525.00
Between more than 5 to 10 years	3,492,756	1,661,435.00
Over 10 years		4,289,807.00

(i) Expected employer contributions for the period ending 31 December 2020

(ii) Weighted average duration of defined benefit obligation 10.84 years (31 Dec 2019: 11.57 years)

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(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2022	31 December 2021
Discount rate	8.80%	8.50%
Effect on DBO due to 0.5% increase	(176,478)	(198,963)
Effect on DBO due to 0.5% decrease	191,346	215,798

B. Salary escalation rate	31 December 2022	31 December 2021
Salary escalation rate	6%	6.00%
Effect on DBO due to 0.5% increase	403,225	231,874
Effect on DBO due to 0.5% decrease	(348,461)	(215,263)

C. Mortality rate	31 December 2022	31 December 2021
Mortality rate	100% of IALM (2012-14)	100% of IALM (2012-14)
Effect on DBO due to 10% upward shift in mortality curve		-
Effect on DBO due to 10% downward shift in mortality curve		-

D. Employee turnover rate	31 December 2022	31 December 2021
Employee turnover rate	5%	5%
Effect on DBO due to 0.5% increase	61,759	55,054
Effect on DBO due to 0.5% decrease	(69,284)	(58,183)

Risk exposure

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:
Interest rate risk:

The plan is exposed to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefits and will thus result in an increase in the value of the liability.

Salary growth risk:

The present value of the defined benefit plan is calculated with the assumption of salary increase of the plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

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Liquidity risk:

This is the risk that the plan is not able to meet the short-term gratuity payouts. This may arise due to non-availability of enough cash/ cash equivalents to meet the liabilities or holding of illiquid assets.

Demographic risk:

The company has used certain mortality and attrition assumptions in the valuation of liability. Thus, the plan is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Asset liability mismatching or market risk:

The duration of the liability is longer than the duration of assets exposing the company to market risk for volatilities/fall in interest rate.

Investment risk:

The plan is exposed to the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Note 38: Disclosure for employees benefit - defined benefit scheme (Transfer grant)

A. Change in defined benefit obligation (DBO)	31 December 2022	31 December 2021
DBO at end of prior period	820,298	760,483
Current service cost	481,858	111,298
Interest cost on the DBO	51,801	52,554
Actuarial (gain)/loss - experience	1,569,220	180,692
Actuarial (gain)/loss - financial assumptions	139,549	
Benefits paid	(345,565)	(284,728)
DBO at end of current period	**2,717,161**	**820,299**

B. Statement of Profit & Loss	31 December 2022	31 December 2021
Current service cost	481,858	111,298
Net interest on net defined benefit liability / (asset)	51,801	52,554
Cost recognized in P&L	**533,659**	**163,852**

C. Other Comprehensive Income (OCI)	31 December 2022	31 December 2021
Actuarial (gain)/loss due to liability experience	1,569,220	180,692
Actuarial (gain)/loss due to liability assumption changes	139,549	(323)
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**1,708,769**	**180,369**

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D. Reconciliation of Net Balance Sheet Position	31 December 2022	31 December 2021
Net defined benefit asset/ (liability) at end of prior period	820,298	760,483
Current service cost		111,298
Net interest on net defined benefit liability/ (asset)		52,554
Amount recognized in OCI	1,708,769	180,692
Amount recognized in profit & loss	533,659	
Benefit paid directly by the company	(345,565)	(284,728)
Acquisitions credit/ (cost)		
Cost of termination benefits		
Net defined benefit asset/ (liability) at end of current period	**2,717,161**	**820,299**

E. Expected benefit payments (undiscounted) for the year ending	31 December 2022	31 December 2021
Up to 1 year	189,958	248,430
Between more than 1 to 3 years	663,588	525,281
Between more than 3 to 5 years	1,100,700	506,724
Between more than 5 to 10 years	2,111,357	1,233,903
Over 10 years		2,971,623

(i) Expected employer contributions for the period ending 31 December 2020

(ii) Weighted average duration of defined benefit obligation 10.84 years (31 Dec 2019: 11.57 years)

(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2022	31 December 2021
Discount rate	8%	8.50%
Effect on DBO due to 0.5% increase	(139,549)	(32,073)
Effect on DBO due to 0.5% decrease	152,126	34,599

B. Salary escalation rate	31 December 2022	31 December 2021
Salary escalation rate	6%	6.00%
Effect on DBO due to 0.5% increase	321,499	37,518
Effect on DBO due to 0.5% decrease	(274,791)	(35,037)

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C. Mortality rate	31 December 2022	31 December 2021
Mortality rate	100% of IALM (2012-14)	100% of IALM (2012-14)
Effect on DBO due to 10% upward shift in mortality curve		-
Effect on DBO due to 10% downward shift in mortality curve		-

D. Employee turnover rate	31 December 2022	31 December 2021
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	55,461	7,690
Effect on DBO due to 1% decrease	(62,609)	(8,098)

Risk exposure

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:
Interest rate risk:

The plan is exposed to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefits and will thus result in an increase in the value of the liability.

Salary growth risk:

The present value of the defined benefit plan is calculated with the assumption of salary increase of the plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

Liquidity risk:

This is the risk that the plan is not able to meet the short-term gratuity payouts. This may arise due to non-availability of enough cash/ cash equivalents to meet the liabilities or holding of illiquid assets.

Demographic risk:

The company has used certain mortality and attrition assumptions in the valuation of liability. Thus, the plan is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Asset liability mismatching or market risk:

The duration of the liability is longer than the duration of assets exposing the company to market risk for volatilities/fall in interest rate.

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Investment risk:

The plan is exposed to the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Note 39: Contingent liability

The company has outstanding legal claims filed against the company namely;

i. Mr. Kuenga Namgay, former CEO amounting to Nu. 480,000/-.

Note 41: Court cases filed against company's debtors.

Sl.No.	Clients	Amount (Nu.)	Year	Status
1	Mr. Phojo Nidrup(c/o Choden Transport)	1,443,323	2019	Case Ongoing
2	Mr. Phojo Nidrup(c/o Choden Transport)	2,573,764.00	2019	Under arbitration process. Through arbitration received Nu. 1,500,000.00. As he failed to make balance payment, case is registered at Phuentsholing court.
3	M/s Lamala Construction	124892	2018	Case in arbitration process
4	Mr. Karma Chowang	709792	2019	Case in arbitration process
5	Mr. Pema Wangda	275337.6	2019	Case in arbitration process
	M/s Khamdang Transport	2,966,623.80	2020	Case in arbitration process
6	Mr. Karma Rinzin KRC	2,412,566.64	2022	Case in arbitration process
7	Mr. Pema Tobgay	2,151,293.64	2022	Case in arbitration process
8	Mr. Ngawang Thsering	1,876,113.48	2022	Case in arbitration process
9	Mr. Pema Khenrab	16,511,059.36	2022	Case in arbitration process
12	Mr. Sonam Nyendra	500,808.61	2022	Case in arbitration process
13	Mr. Dechen Pemo	603,404.16	2022	Case in arbitration process

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RATIO ANALYSIS

RATIO ANALYSIS

Ratio	2022	2021	Remarks
Current Ratio	1.53	1.92	Current Assets has decreased proportionately compare to 2021. The main reason for decrease in current asset is due to decrease in trade and other receivable.
Acid Test Ratio	0.79	1.24	Acid test ratio has decrease compare to previous year due to increase in inventory as compare to others current asset. Moreover, the short-term borrowing has increase.
Fixed Assets Turnover Ratio	7.38	10.38	Fixed asset turnover ratio has decrease due to increase in fixed asset as compare to increase in revenue for the year.
Inventory Turnover Ratio	7.9	7.14	There is slight increase in the inventory ratio which is due to increase in the inventory for the year as compare to previous year.
Trade Receivable Turnover Ratio	27.86	34.58	Thought there is decrease in trade receivable as compare to previous year the ratio is increase due to increase in sales for the year.
Return on Investment	12.26	15.67	Due to decrease in net profit the return on investment has decrease
Net Profit Ratio	1.8	2.56	Due to decrease in Profit after Tax
Earnings Per Share	3.19	4.42	Due to Decrease in Profit after Tax

For Menuka Chhetri & ASSOCIATES
Chartered Accountants
Firm Registration No: 331825E

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365

Place: Thimphu, Bhutan
Date: 25/04/2023